

City and County of San Francisco
OFFICE OF THE CONTROLLER

HETCH HETCHY WATER AND POWER SYSTEM:
Revolving Fund
February 1, 1999 through April 14, 2000



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Edward Harrington
Controller

Matthew H. Hymel
Chief Assistant Controller

May 19, 2000

Audit No. 99060

Public Utilities Commission
1155 Market Street, 4th Floor
San Francisco, CA 94103

President and Members:

The Controller's Audits Division presents its report concerning the audit of the cash revolving fund of the Hetch Hetchy Water and Power System (Hetch Hetchy). Hetch Hetchy uses its revolving fund to pay for miscellaneous expenditures such as office supplies, parking fees, and professional publications.

Reporting Period: February 1, 1999 through April 14, 2000

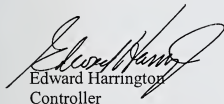
Authorized Amount: \$10,000

Results:

- As of April 14, 2000, Hetch Hetchy's cash revolving fund total exceeded its authorized amount by \$115.74. This overage was due to not writing off two checks issued and outstanding for more than 6 months, as required by the Controller's Departmental Instruction.
- The authorized amount is excessive and we estimate that a \$1,000 revolving fund amount would be sufficient to meet Hetch Hetchy's operational needs.

The response of Hetch Hetchy is attached to this report.

Respectfully submitted,



Edward Harrington
Controller


INTRODUCTION

The Board of Supervisors of the City and County of San Francisco (City) appropriated a cash revolving fund of \$10,000 to the Hetch Hetchy Water and Power System (Hetch Hetchy) under the San Francisco Administrative Code (Administrative Code), Section 10.145. Hetch Hetchy uses the revolving fund to pay for miscellaneous expenditures such as office supplies, parking fees, and professional publications.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine whether Hetch Hetchy's revolving fund assets agreed to the amount authorized in the Administrative Code and recorded in the Controller's Financial Accounting and Management Information System (FAMIS), whether the revolving fund assets were used within the purpose of the fund and in compliance with the Controller's departmental instructions, whether the internal controls over the fund were adequate, and whether the revolving fund was sufficient to meet Hetch Hetchy's operational needs.

To conduct the audit, we reviewed the applicable provisions in the Administrative Code, the Controller's Departmental Instruction No. 1052, and the Purchaser's *Guide to Ordering Goods and Services*. We evaluated Hetch Hetchy's procedures for recording, summarizing, and reporting the revolving fund transactions. We tested Hetch Hetchy's revolving fund transactions during the audit period to determine whether they were proper and valid.



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AUDIT RESULTS

HETCH HETCHY'S REVOLVING FUND BALANCE EXCEEDED ITS AUTHORIZED AMOUNT

As of April 14, 2000, Hetch Hetchy's cash revolving fund total of \$10,115.74 exceeded the amount authorized in the Administrative Code and recorded in FAMIS by \$115.74. The overage was due to not writing off two checks which were outstanding for more than 6 months. These checks should have been written off by March 1, 2000, as required by the Controller's Departmental Instruction 1052.

HETCH HETCHY'S REVOLVING FUND AMOUNT IS EXCESSIVE

Hetch Hetchy's authorized revolving fund amount of \$10,000 exceeds the amount it needs for operations. During the 14 months from February 1999 through March 2000, Hetch Hetchy requested that the Controller's Office replenish its revolving fund for a total of \$5,775. We calculated that the average monthly expenditure over the 14 months was approximately \$410. If Hetch Hetchy reduced its revolving fund balance to \$1,000, it would still have sufficient funds to meet its needs.

RECOMMENDATIONS

We recommend that Hetch Hetchy take the following steps:

- Write off the two checks totaling \$115.74 and reduce the next revolving fund request by that amount. Hetch Hetchy should write off any checks outstanding for six months.
- Request the Board of Supervisors to amend the Administrative Code to reduce the authorized amount of Hetch Hetchy's revolving fund from \$10,000 to \$1,000. If authorized to reduce the fund amount, the department should return the excess funds to the Controller's Office.

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Grant Novack, Audit Manager
Mohamed Hosny

cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
Treasurer
Public Library
KPMG LPP

RESPONSE TO THE AUDIT
HETCH HETCHY WATER AND POWER SYSTEM



CITY AND COUNTY OF SAN FRANCISCO
PUBLIC UTILITIES COMMISSION
Bureau of Finance

WILLIE L. BROWN, JR., MAYOR
JOHN P. MULLANE JR., GENERAL MANAGER

E. DENNIS NORMANDY
PRESIDENT
VICTOR G. MAKRAS
VICE PRESIDENT
FRANK L. COOK
ANN MOLLER CAEN
ASHOK KUMAR BHATT

SAN FRANCISCO
WATER DEPARTMENT

HETCH HETCHY
WATER AND POWER

SAN FRANCISCO
CLEAN WATER PROGRAM

May 17, 2000

Edward Harrington, Controller
Office of the Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4694

Subject: Response to the Draft Audit Report of Hetch Hetchy's Revolving Fund
Period covering February 1, 1999 through April 14, 2000

Dear Mr. Harrington:

Pursuant to the recent audit of the Hetch Hetchy Revolving Fund for the period covering February 1, 1999 through April 14, 2000, we hereby present our response to the Auditor's findings and recommendations, contained in the draft Audit Report as follows:

FINDINGS:

- As of April 14, 2000, Hetch Hetchy's cash revolving fund total exceeded its authorized amount by \$115.74. This overage was due to not writing off two checks issued and outstanding for more than six months, as required by the Controller's Departmental Instruction.
- The authorized amount is excessive and we estimate that \$1,000 revolving fund amount would be sufficient to meet Hetch Hetchy's operational needs.

RECOMMENDATION #1:

Write off the two checks totaling \$115.74 and reduce the next revolving fund request by that amount. Hetch Hetchy should write off any checks outstanding for six months.

Response: We concur with the Auditor's recommendation. The two checks totaling \$115.74 has been written off from the Outstanding Checks listing, and the amount was added back to the Revolving Fund account balance as of the April 30, 2000 bank reconciliation document for the Hetch Hetchy Revolving Fund bank account.

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RECOMMENDATION #2:

Request the Board of Supervisors to amend the Administrative Code to reduce the authorized amount of Hetch Hetchy's revolving fund from \$10,000 to \$1,000. If authorized to reduce the fund amount, the department should return the excess funds to the Controller's Office.

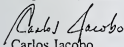
Response: We concur with Auditor's recommendation, in concept. The Hetch Hetchy Revolving Fund Account was established through the ordinance approved by the Board of Supervisors in the amount of \$10,000 "to pay for minor, non-recurring, goods and services that are needed immediately and can not conveniently be paid for by the issuance of a Controller's check".

Our own review and analysis of the Revolving Fund process and procedures during the period of this audit indicate underutilization of the Hetch Hetchy Water and Power Revolving Fund Account.

Pursuant to the recent organizational changes in the PUC-Finance, Accounting Section, we will fully implement the provisions of the Controller's Departmental Instruction No. 1052. We will also request the Board of Supervisors to amend the Administrative Code to reduce the authorized amount of the Revolving Fund from \$10,000 to \$3,000.

Thank you for giving us the opportunity to respond to the draft report.

Respectfully submitted,



Carlos Jacobo
Budget Manager
PUC-Finance Bureau

Cc: William Berry, Assistant General Manager
PUC-Finance and Administration

Jossie Alegre, Accounting Supervisor
PUC-Finance Bureau, Accounting Section

Noriaki Hirasuna, Audits Director
Controller's Audits division

